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SUBJECT: Argentina's Buenos Aires Province Taxman: Public Profile,
Political Ambitions

Summary

¶1. (SBU) Santiago Montoya, tax chief of Buenos Aires province, Argentina's largest, is riding a wave of popularity following high-profile tax compliance sweeps of wealthy neighborhoods. This popular support, he told Ambassador, demolishes the Argentine political truism that zealous tax enforcement is a vote losing proposition. Argentina's cut-off from international borrowing following the 2001/2 economic crisis did some good, he said, in forcing the GoA to turn inward and focus on generating internal tax revenues to sustain the state. But Montoya called for the Argentine state to move beyond a narrow focus on maximizing revenue collection towards a broader effort to foster credible state institutions that can underpin society's acceptance of a culture of tax compliance. On Argentina's political culture, Montoya dismissed the opposition as hopelessly disorganized. He will be traveling to Washington October 22-24 to attend an IDB-sponsored Latin American tax policy forum. During that time he hopes to meet and establish ties with senior US IRS officials. Montoya admires the pragmatism of U.S. tax collection models and said he is eager to adapt workable U.S. tax mechanisms to his province's specific needs. End Summary

Tax Populism in Buenos Aires Province

¶2. (U) Santiago Montoya, Executive Director of the Province of Buenos Aires' tax authority ARBA (Agencia de Recaudacion de la Provincia de Buenos Aires) and his brother/chief of staff Daniel Montoya met with Ambassador October 14. ARBA is an autonomous provincial agency created December 2007 to manage Province of Buenos Aires fiscal policy and consolidate tax and revenue functions previously controlled by the provincial Secretariat of Revenues. ARBA was structured to function with greater autonomy, operational and technical capabilities that its pre-cursor provincial tax collection entity.

¶3. (SBU) Discussion focused on a recent editorial Montoya placed in Argentina's daily of record La Nacion that detailed his view that the Argentine state needs to move beyond its narrow focus on maximizing revenue collection towards a broader effort to foster credible state institutions that can underpin society's acceptance of a culture of tax compliance. Such a shift in federal and provincial government focus, he said, is a necessary pre-condition for citizens to support a progressive tax regime and an enforcement system that can successfully "whiten" Argentina's large informal economy and allow organizations like ARBA to target blatant tax and IPR abuses like the informal La Salada market.

¶4. (SBU) Montoya argued that popular support for his tax compliance sweeps of wealthy private neighborhoods demolishes former provincial governor Felipe Sola's political truism that zealous tax enforcement is a surefire vote losing ("pincha votos") proposition. "People really want a more ordered society and my (tax collection) campaign

has united people. ARBA is doing no more than applying the law," he said. In this context, Montoya noted the silver lining of Argentina's 2001/2 default was that the disappearance of new foreign funds to sustain government spending. This forced the GoA to turn inward, focus on generating internal tax revenues to sustain the state and so turn its attention to improving tax compliance and collection.

15. (SBU) In response to the Ambassador's question on the GoA's confrontation with the agricultural sector and failed effort to legislate variable commodity export tariffs, Montoya called the Kirchner administration's intransigent stance a major political and economic error. He said he had told his friend and former colleague Interior Minister Randazzo that the additional +/- US\$ 800 million (0.4% of GDP) that the GoA was looking to collect via higher export tariffs could have been obtained at far less political cost by focusing GoA energies on normal tax collections and on building a tax compliance culture.

Montoya's Political Philosophy

16. (SBU) Montoya acknowledged that the popularity and media attention paid to his tax collection campaigns have raised his public profile ("People want their pictures taken with me - that's never happened to a provincial tax collector before!"). In response, opposition provincial parliamentarians have attempted to blunt his efforts, Montoya said, by presenting a bill to repeal and/or limit some of ARBA's special powers to attach taxpayer bank accounts and assets without a prior judicial order. And "troublesome" unions within Montoya's own ABRA organization have accused him of "taking orders from Washington" because of his prior work under the (Washington-consensus-oriented) Economy Minister Domingo Cavallo in the 1990s.

17. (SBU) Turning to Argentina's political culture, Montoya (who according to media reports has recently formally joined the Peronist party) dismissed the opposition as hopelessly disorganized. He rejected Buenos Aires City mayor Mauricio Macri's "anti-progressive" stance, and called Elis Carrio "simply out of control." For Argentina to evolve beyond its currently fractious and enervating political dynamic, Montoya concluded, it will be necessary to establish a "Second Argentine Republic" on France's post World War II model to build a new national consensus on a supporting and sustaining a norm- and rule-bound society.

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Seeks Meeting/Cooperation with US IRS Officials

18. (SBU) Montoya noted he will be traveling to Washington October 22-24 to attend an IDB-sponsored Latin American tax policy forum. During that time he hopes to meet and establish ties with senior US IRS officials and asked for Embassy assistance in identifying appropriate IRS interlocutors (Embassy passed on this request to U.S. Treasury Western Hemisphere officers). Montoya said he admired the pragmatism of U.S. tax collection and anti-trust enforcement models and said he is eager to adapt workable U.S. revenue collection models to his province's specific needs. ARBA will adopt and adapt whatever revenue collection models work, he said, recalling that had earlier signed cooperation agreements with French tax authorities in 2005 (when Felipe Sola was provincial governor) as well as with tax authorities of Italy and Spain. He said he had traveled to Chile to study and copy their system which allows tax authorities to impound goods being transported without proof of required tax payments. And he said he has copied Canada's tax and regulatory system on burgeoning call center operations in the province. "Whatever collection systems work well will work for us," he concluded.

Bio Data: Santiago Montoya

19. (SBU) Santiago Montoya is the Executive Director of ARBA (Agencia de Recaudacion de la Provincia de Buenos Aires, the tax collection agency of the province) since its creation in December 2007. Prior

to that, he served as Undersecretary of Public Revenues of the Province of Buenos Aires (2001-2007), advisor to the provincial Ministry of Production and Economy (2000-2001), and as consultant to various international organizations, including the IDB, World Bank, and Japan Eximbank. Montoya also worked for federal GoA institutions including the Secretary of the Treasury of the Republic of Argentina, the office of the Chief of Cabinet, and of the General Coordinator of the DGI (Direccion General Impositiva, equivalent to the U.S. IRS) as well as private companies. From 1991 to 1993, he worked as Director of the IERAL-Fundacion Mediterranea (highly regarded economic think tank) magazine, then managed by former Economy Minister Domingo Cavallo. Montoya is a classic car aficionado and owns a 1959 Impala ("with fins!") which he proudly exhibits. Montoya is originally from Cordoba and holds a business administration and accountancy degree from the Universidad Nacional de Cordoba.

Comment

¶10. (SBU) Montoya appear a well read, thoughtful, media savvy, and politically ambitious player in Governor Scioli's Province of Buenos Aires administration. In light of his recent formal affiliation with the Peronist party, recent media reports speculate that Montoya may run as a Lower House federal or provincial Diputado in 2009 interim elections. Other Embassy contacts in the federal government speculate that Montoya would be more interested in building his tax compliance profile further by moving up to run the national (AFIP) tax administration. Montoya himself noted that Cabinet Chief Massa and Interior Minister Randazzo have asked him to think about moving to the federal government.

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